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NASDAQ

Press Release

The Nasdaq Stock Market Inc.
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For Release: September 27, 2001
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Nasdaq Takes Actions to Help Companies Remain Listed

Temporarily Suspends Minimum Bid Price and Public Float Requirements for Continued Listing on Market

New York—In response to the extraordinary market conditions following the tragedy of September 11th, The Nasdaq Stock Market, Inc. today announced that it was implementing an across-the-board moratorium on the minimum bid and public float requirements for continued listing on Nasdaq. The actions to suspend these requirements until January 2, 2002, were approved late yesterday by the Nasdaq Board of Directors and became effective immediately.

Nasdaq rules have generally provided that companies whose securities fall below the minimum bid price or fail to meet minimum market value of public float requirement for 30 consecutive business days are given a 90 day grace period to regain compliance. A company may demonstrate compliance by meeting the applicable standard for a minimum of 10 consecutive business days. If a company fails to regain compliance within the applicable timeframe, that company is subject to delisting. Nasdaq's new moratorium will suspend these requirements until January 2, 2002.

Under the temporary relief provided by the new rules, companies will not be cited for bid price or market value of public float deficiencies. Companies currently under review for deficiencies or in the hearings process will be taken out of the process with respect to the bid price or market value of public float requirements. No deficiencies will accrue during the proposed
suspension process. During this time, Nasdaq will consider whether it is appropriate to recommend further and more permanent action.

"In the days following September 11th, we extended the grace period associated with these requirements for affected companies on an individual basis," said Wick Simmons, chairman and chief executive officer of Nasdaq. "Yesterday, we implemented a broader action that we believe will provide greater stability to the marketplace during these times of economic uncertainty."

The Nasdaq Stock Market® lists over 4,300 companies and trades more shares per day than any other U.S. market. For more information about Nasdaq, visit the Nasdaq Web site at www.nasdaq.com or the Nasdaq Newsroom℠ at www.nasdaqnews.com.

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Nasdaq Reviews Listing Standards; Requirements Could Be Changed

SMALL-STOCK FOCUS

By GASTON F. CERON
And ROSS SNEL
Dow Jones Newswires

NEW YORK—The Nasdaq Stock Market is taking a close look at its listing standards, in a review that could lead to changes in the criteria that companies must meet to keep their stocks listed on the market.

A Nasdaq spokesman, Scott Peterson, said the market is "closely monitoring these issues" so it can determine "the efficacy of our listing standards." Asked if this review would involve loosening the standards, he said, "That is the question of the moment."

Mr. Peterson declined to comment further. He wouldn't say what triggered the review, which is taking place amid a stock market that has been battered in the wake of the Sept. 11 terrorist attacks.

But one Nasdaq-listed company, which has seen its stock trade below the critical level of $1 for more than a month, said its lawyers had informed it that they had received "guidance" from Nasdaq that Nasdaq is "waiving the $1 limit for the remainder of the year." However, nothing official has been announced yet, the company said.

If this limit is indeed waived, that would be big news for Nasdaq companies that have seen their share prices plummet and are at risk of being booted from Nasdaq's National Market. Most companies listed on Nasdaq must maintain a minimum bid price of $1 a share. Once a company falls below this threshold for 30 consecutive business days, Nasdaq typically gives the company notice that a delisting process may begin.

Nasdaq's examination of its stock-listing criteria, which was reported by the Boston Globe, isn't being joined by the market's chief rival. A spokesman for the New York Stock Exchange, Raymond Pellecchia, said the Big Board regularly looks at its listing standards, but isn't "planning any special review ... in connection with the events of the last couple of weeks."

A spokesman for the Securities and Exchange Commission declined to comment on Nasdaq's plans.

Through July, the most recent month for which Nasdaq said it had data available, there had been 279 delistings this year across all of Nasdaq. That compares with 240 delistings in all of 2000 and 440 in 1999. In many cases, delistings have been triggered by the sinking stock market dragging companies' share prices below the $1 minimum. The National Association of Securities Dealers is Nasdaq's parent, but Nasdaq is in the process of being spun off from the NASD.

Yesterday's Market Activity

Small-capitalization stocks rose moderately, a sign that Monday's sharp gains could be more than a short-lived technical bounce following a severe selloff.

The Russell 2000 index of small stocks rose 2.39, or 0.61%, to 396.18 and the Nasdaq Composite Index of both large and small stocks on the market, at 1501.64, gained 2.24, or 0.15%, having been up as much as 28.93 earlier.

The American depositary shares of **Cambridge Antibody Technology**, a United Kingdom biotechnology company, surged $5.93 to 19.30. The company said it received clearance from the U.K. Medicines Control Agency to begin phase I/IIa clinical trails on its CAT-213 allergy treatment.

NYSE-traded Orient-Express Hotels rose 1.96, or 18%, to 13.01. The hotel company said it doesn't expect to meet its net income target for the year. But the company authorized the repurchase of as many as one million of its 11.6 million common shares outstanding, and its chairman and president said they plan to buy additional shares on the open market for their own accounts. The company said that while it is too soon to predict the full impact of the Sept. 11 attack, the market may have overreacted on the downside.

Elcor jumped 2.59, or 15%, to 19.79. BB&T Capital markets raised its rating on the Dallas maker of roofing and building products to strong buy from hold.

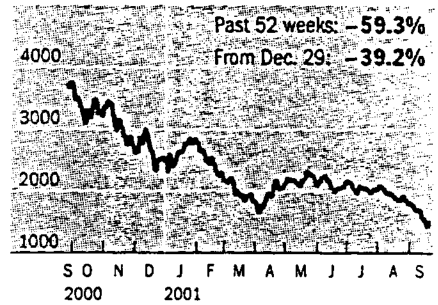
Parker Drilling rose 37 cents, or 14%, to 3.05. The Tulsa, Okla., oil and gas drilling contractor reaffirmed its third-quarter and 2001 earnings estimates, but warned that its results will likely come in at the lower end of its full-year guidance ranges.

McAfee.com gained 1.20, or 12%, to 11.25. Credit Suisse First Boston initiated coverage of the Santa Clara, Calif., provider of software security systems with a buy rating and a $15 price target. CSFB said it expects the company "is poised to emerge as a leading provider of consumer and small-office security solutions, a high-growth industry that is not dominated by any of the leading security providers."

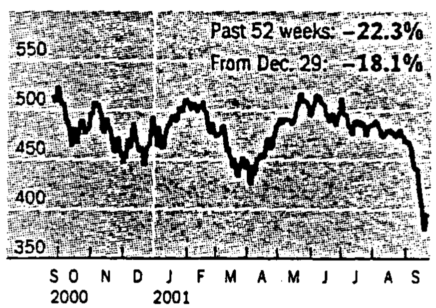
On Nasdaq, advancing issues edged out decliners, 1,839 to 1,813, on overall volume of 2.153 billion, compared with 2.035 billion.

—Larry Bauman

Nasdaq Composite Index
Includes large-cap and small-cap stocks



Russell 2000 Index
Small-cap stocks, all markets



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Nasdaq, With More of Its Stocks Below $1, Will Ease Some Listing Rules Until 2002

SMALL-STOCK FOCUS

By KATE KELLY
Staff Reporter of THE WALL STREET JOURNAL

The Nasdaq Stock Market, faced with the prospect of having to boot some of its biggest companies, is temporarily easing some of its listing standards for the first time in its history.

Nasdaq said it is temporarily waiving the rule requiring companies listed on the market to maintain a closing price of at least $1 a share and a public float, or total number of shares traded, of at least 750,000.

Analysts say that hundreds of companies trading on Nasdaq could be at risk of being delisted—including four companies that are part of the Nasdaq 100 index, a much-watched subset of the Nasdaq Composite Index that tracks the market's biggest nonfinancial stocks.

The waiver, which lasts until Jan. 2, is a sign of how steeply Nasdaq has fallen in recent months: The tech-heavy Nasdaq composite is down 71% from its high in March 2000, and yesterday, the index continued to fall slightly, even as the Dow Jones Industrial Average was up for the day.

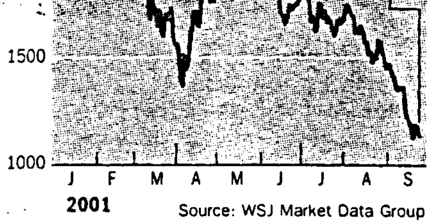
According to the market-data vendor Dealogic CommScan, at last count this week a total of 312 Nasdaq stocks have been trading under $1 for 30 days—the normal trigger for beginning delisting procedures.

While the tech slump over the past year has hurt the share price of many Nasdaq companies, market officials say the Sept. 11 terrorist attacks have put even more companies at risk, as consumer and business spending, particularly on technology, have slowed. Since the markets reopened on Sept. 17, the Nasdaq composite has dropped by 13.8%.

"We did this because companies need to focus on running their business right now," said David Weild, director of Nasdaq's corporate client division. "It takes the distraction off the table for them."

Weakened Market

Performance so far this year of the Nasdaq 100, that market's index of 100 large nonfinancial companies



Source: WSJ Market Data Group

Under normal circumstances, stocks that trade under $1, or under the required public float, for 30 trading days are put on notice by Nasdaq. They then have 90 calendar days to get their price or float up to the proper levels for a minimum of 10 consecutive trading days. Even if firms fail those tests, they still can appeal their delisting.

With the waiver, the delisting slate is wiped clean for every company traded on Nasdaq, meaning that firms that would normally face delisting now get an additional break, because the process will have to start all over again in January.

The reprieve also means that Nasdaq can put off, at least for now, the potentially awkward job of delisting some of the Nasdaq 100 firms. The list is the basis of the popular exchange-traded fund Nasdaq-100 Index Tracking Stock—known popularly as the QQQ, after its ticker symbol—that has become a Nasdaq calling card. The QQQs are one of the most-traded stocks on the New York Stock Exchange and the American Stock Exchange. (The list is updated, or "rebalanced," every December to reflect stock performance over the year.)

Nasdaq 100 components **McLeodUSA Inc.**, **Metromedia Fiber Networks**, **XO Communications**, and **At Home Corp.**, all have closed at below $1 in recent weeks, potentially putting them at risk of delisting under normal conditions; now, that can't happen until next spring, at the earliest.

However, **Exodus Communications**, a Nasdaq 100 company that has been trad-

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Nasdaq to Ease Some Listing Rules Until 2002 for Issues Falling Under $1

SMALL-STOCK FOCUS

Continued From Page C1

ing at less than $1 since late August, is likely to be delisted, despite the new rules. Trading in Exodus stock was halted on Wednesday, when the Web-hosting company announced it was filing for Chapter 11 bankruptcy-court protection—a cause for delisting that wasn't waived.

John L. Jacobs, the Nasdaq executive who runs the Nasdaq 100 index, said Exodus will be removed from both Nasdaq trading and the Nasdaq 100 index within the next week, but declined to say which company would replace it. An Exodus spokeswoman didn't return telephone calls seeking comment.

Ray Pellecchia, a spokesman for the New York Stock Exchange, wouldn't comment on whether the Big Board had plans to change any of its listing requirements. "We regularly review our listing standards to make sure they're set at appropriate levels," he said.

The relaxation of listing standards comes at an opportune time for Nasdaq, which is spinning off from the National Association of Securities Dealers, and hopes to go public sometime next year. In the past four years, Nasdaq has seen the ranks of listed companies fall from a high of more than 5,550 during the Internet-stock boom to approximately 4,247 at the end of August. Listed companies, which pay both initial and annual dues to the stock market, produce about 17% of Nasdaq's total revenue.

In its first quarterly earnings results, released in August, Nasdaq reported a 57% drop in net income, largely as a result of the decline in companies listed on the market and the lack of new IPOs that would have brought in new participants.

So far this year, Nasdaq has delisted 324 companies, compared with 240 for all of 2000 and 440 for all of 1999.

Mr. Weild said the rule waiver was not an attempt to prop up revenue, noting that the relaxed standards will have a "trivial impact" on Nasdaq's top line.

Still, some analysts warned investors to be wary of companies taking advantage of the temporarily lowered standards. "I think the implications for investors are that these struggling, troubled companies get to stick around longer, which may give them a chance at reinvigorating themselves," said Fred Moran, Internet analyst for Jefferies & Co. "But typically, when a stock falls below $1 a share, there are legitimate concerns about bankruptcy. And this attempt to help probably only prolongs the inevitable."

"From our point of view, it's pretty reflective of the extraordinary set of events going on right now," said Todd Wolfenbarger, a spokesman for XO Communications, whose shares have traded below $1 since Sept. 17. "The telecom sector's been as hard, or harder hit, than any sector. Customers...are concerned about stability and survivability, and I think this will help."

The Nasdaq 100, which is managed by Nasdaq (though the QQQ, its tracking stock, is formally listed on the American Stock Exchange), is reconstituted annually based on market capitalization. If a stock is delisted for failing to meet Nasdaq's listing standards, it is replaced.

This year's new list of stocks will be announced on Dec. 17, and become effective for trading on Dec. 24.

Because companies that trade under Nasdaq listing rules will have 90 days to boost their price and public floats, none can be delisted until April at the earliest.

Yesterday's Market Activity

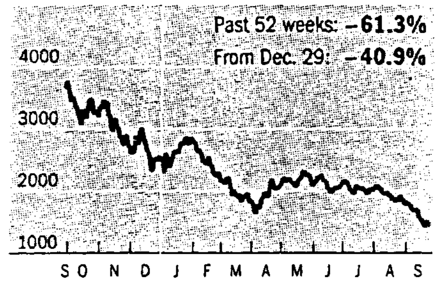
Even as a late-day rally was lifting blue-chip stocks, their small-cap peers were largely left behind.

Small caps, as measured by the Russell 2000 index, eked out an advance while the Nasdaq composite, a proxy for both large and small stocks, mounted a comeback but fell short of making it onto positive ground. Meanwhile, the Dow Jones Industrial Average was rising more than 100 points as investors tucked into blue chips.

The action left small-stock fund managers a bit disheartened. "It's disappointing," said Tim Stevenson, small-cap fund manager at Evergreen Asset Management. "In the rush for the exits we saw last week, a lot of small caps have really been trampled. But many still offer solid opportunities."

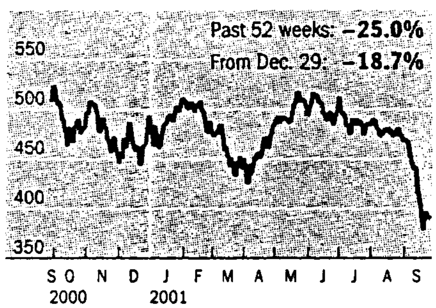
Nasdaq Composite Index

Includes large-cap and small-cap stocks



Russell 2000 Index

Small-cap stocks, all markets



Weighing on the small-stock market was **Sonus Networks**, which fell $3.52, or 55%, to $2.88 after saying third-quarter results will come in well below Wall Street's expectations because of a continued deterioration in the telecommunications market.

Another small-cap stock that exercised influence was **Allegiance Telecom**, dropping 57 cents, or 13%, to 3.85 after the telecom-services provider said it expected third-quarter revenue of $135 million, up 69% from a year earlier, but below analysts' estimates of $147 million.

For the day, the Russell 2000 rose 3.18 points, or 0.82%, to 392.96 and the Nasdaq composite fell 3.33, or 0.23%, or 1460.71.

Oil companies were the day's best performers on word that OPEC agreed not to cut its production quotas. **Cabot Oil & Gas** gained 2.51, or 15%, to 19.21, **Evergreen Resources** added 1 to 32.90 and **Pogo Producing** jumped 88 cents to 22.90.

Biotech stocks were the next best performers with **Aviron** adding 1.52 to 24.32, **Cell Therapeutics** up 2.64, or 12%, to 24.55 and **Medarex** up 1.39, or 11%, to 14.39.

—Karen Talley

REUTERS

Nasdaq Mulls Waiver of $1 Delisting Rule

September 25, 2001 4:22:00 PM ET

By Siobhan Kennedy and Mark Weinraub

NEW YORK (Reuters) - The Nasdaq stock market is considering changing its regulations so the large number of companies whose share price has fallen below $1 may not be delisted, sources close to the situation told Reuters Tuesday.

There are around 669 Nasdaq companies now trading below $1 and many have already been delisted this year as the market fell sharply. Technology companies have been hit particularly hard.

Market watchers said a move to loosen the restrictions could be one way for Nasdaq to stabilize its market, the second-largest equities market in the world. The changes, if they occur, could lead to Nasdaq retaining the 15 percent of its companies that are currently flirting with the $1 barrier.

Nasdaq sends a company a notice telling it to shape up after it trades for less than $1 a share for 30 days in a row. If a company does not get its closing share price back above the $1 level for 10 trading days in a row during the next 90 days, Nasdaq sends it a delisting notice, which it can appeal.

An executive at a well-known technology company who asked that it not to be identified told Reuters the company had been informed by Nasdaq it would not enforce the delisting rule, even though the shares had traded below $1 for nearly 30 days.

The executive said the company's lawyers were told by Nasdaq it would waive its delisting regulations until at least the end of the year.

Another technology company, whose stock also has traded below $1 for more than 30 days, said Nasdaq officials had told it that they were reviewing the delisting regulations.

``I've talked to the Nasdaq twice this week about this and both times they've said there is going to be some kind of relief, but that they have not yet decided what it's going to be," a source at the company said.

A securities lawyer said Nasdaq has not strictly enforced its $1 rule on some companies he represents and whose share prices have fallen below the critical cut-off point.

The chief executive of a leading share dealing firm, who asked not to be identified, told Reuters he advised Nasdaq it needed to change its delisting rules.

``The bottom line is that test alone ... is not adequate," he said. ``There should be a few tests. The $1 rule doesn't really make any sense.

``The reality is there's a lot of companies that are $50 million to $250 million in market capitalization that certainly have a lot of shareholders and a lot of trading value and a lot of net capital ... and would qualify to stay on markets. But because we have this hard-and-fast $1 rule, they're subject to delisting."

Nasdaq was ``closely monitoring these issues," but spokesman Scott Peterson said it was too early to make any statements.

The New York Stock Exchange said it was not planning to relax its delisting rules, which are stricter than Nasdaq's.

``We look at these on a regular basis to ensure the levels of the standards, but we're not planning any special review in light of the events of the last couple of weeks," said Ray Pellechia, an NYSE spokesman.

TRADING PENNY STOCKS

Cromwell Coulson, head of Pink Sheets, a stock market that has no listing requirements for companies, said changes were appropriate. Many companies that have been delisted from Nasdaq have ended up being quoted on the Pink Sheets, such as speech recognition firm Learnout & Hauspie, software company AremisSoft Corp. and telecommunications firm Winstar Communication.

``In times of market instability regulators should (be) and have been flexible in standards rules governing listing requirements," Coulson said.

But relaxing the rules would be a bad idea because of the dangers involved with trading low-priced stocks, said Roy Smith, a professor of finance at the Stern School of Business at New York University.

``We don't want to support trading in securities of companies that are riskier than securities in general should be," he said. ``The penny stock sector has been where many of the so-called fraudsters have gone to manipulate markets."

After the Sept. 11 attacks on the United States, the Securities and Exchange Commission, which must approve any rules changes by Nasdaq, relaxed its regulations on companies buying back their own stock.

Nasdaq would have to come up with a better reason for the listing changes than to say a slow economy ruined many of the companies that had contributed to the technology-fueled bull market of the 1990s, Smith said.

"The burden is on them to make the case for it," he added.

Back to Breaking News

Wednesday September 26 1:52 PM ET

Possible Rules May Weaken Nasdaq -Traders

By Mark Weinraub

NEW YORK (Reuters) - Amending its rules to let stocks trading under $1.00 remain listed could be seen as a sign of weakness for the Nasdaq, which has worked hard to become a major player in the financial world, traders said on Wednesday.

``If they have to lower their requirements, in some cases, it's an admission that these companies were never real companies to begin with," said Tony Cecin, head of equity trading at U.S. Bancorp Piper Jaffray. ``They're going to lose a competitive advantage to the New York Stock Exchange (news - web sites)."

Nasdaq is considering changing its regulations so that the large number of companies whose share prices have fallen below $1 may not be delisted, sources close to the situation have said. Currently, around 669 Nasdaq companies, about 15 percent of Nasdaq's list, now trade below that level.

Nasdaq, the No. 2 equities market in the world that used to bill itself as ``the stock market for the next 100 years," rode its stable of technology and Internet companies to new heights in the bull market during the 1990s.

But the stock market has fallen on hard times since the technology bubble burst, seeing the value of its composite index drop by about 70 percent from the peak it hit in March 2000.

``I'm surprised that they're changing the rules," said Grant Babyak, a portfolio manager at TimesSquare Capital Management who oversees about $1.2 billion in small-cap stocks. ``I don't understand why they would be changing it now as opposed to a few months ago."

During the slump, Nasdaq has been forced to delist hundreds of

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companies, sending many fleeing to the lower-tier Pink Sheets -- or the Over-The-Counter Bulletin Board -- markets that have no minimum price requirements. Many other companies have simply gone out of business.

Keeping these struggling companies on Nasdaq's list could give the market a black eye. Many large investors stay away from such low-priced stocks, which are highly volatile and easily manipulated.

``What you're doing is (blocking) out the quality buyers and making it a place that's sort of a charity case," said a long-time Wall Street player who asked not to be identified.

Under current rules, which a securities lawyer says have not been enforced on some companies he represents, Nasdaq sends a company a warning if its shares trade for less than $1 a share for 30 straight days.

If a company does not get its closing share price back above the $1 level for 10 successive trading days during the next 90 days, Nasdaq sends it a delisting notice, which it can appeal.

CLOSELY MONITORING ISSUES

Nasdaq was ``closely monitoring these issues," regarding its delisting rules, spokesman Scott Peterson said. He said it was too early to provide any details.

The rival NYSE said it was not planning to relax its delisting rules -- which are even stricter than Nasdaq's -- including one that requires an NYSE company to maintain a market capitalization of at least $50 million.

In Germany, the Deutsche Boerse (DB1Gn.DE) is taking a different tack with its Neuer Markt for technology growth stocks, setting new rules allowing it to remove penny stocks from its list. But courts have given two Neuer Markt companies temporary exemptions from the rules.

Putting relaxed rules in place for a short amount of time could give a boost to Nasdaq and its investors, said Robert Stovall, senior market strategist at Prudential Securities. The already reeling stock markets have plunged even further since the Sept. 11 air attacks on the United States.

``If they did do it, they might do it on a temporary basis because of the current shock effect and make it crystal clear that this rule is put in place on a temporary basis only," Stovall said.

The government has already taken steps to aid financial markets since stock trading was shut down for four days following the attacks.

Money.com (Sep 17, 2001)

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The U.S. Securities and Exchange Commission (news - web sites), which must approve any rules changes by Nasdaq, relaxed its regulations on companies buying back their own stock on the open market since the attacks.

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